

complaint

Mr C complains that Uncle Buck Payday Loans LLP wrongly lent him money he couldn't afford to pay back.

background

Mr C took out three payday loans with Uncle Buck within a short period. He said that the loans were unaffordable and the business wouldn't agree a repayment plan when he struggled to pay them back. He says that he should never have been lent the money. Uncle Buck says that robust affordability checks were carried out to verify Mr C's income. A search of his credit file suggested that the loan was affordable and Mr C confirmed that his income and outgoings were correct.

Our adjudicator recommended that the complaint should be upheld. She thought that a robust checking of Mr C's credit file and bank statements would have shown that Mr C was in financial difficulty and over reliant on short term borrowing. Uncle Buck didn't agree and said in summary that its policies and procedures were robust and Mr C passed its credit scoring. It didn't accept that the existence of defaults on his credit file or entries on his bank statements would necessarily indicate financial difficulty. It said that it relied on the answers given by Mr C about whether he could afford to repay the money and it had not been irresponsible to lend to him.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've looked very carefully at the affordability checks carried out by Uncle Buck when approving the loans to Mr C. I can't see from the paperwork provided that Mr C was asked why he needed to borrow so often and so soon after the loans were repaid. I can't see that the information contained in Mr C's credit report was properly taken into account. There are a number of defaults together with other entries suggesting over reliance on short term borrowing and a pattern of recent financial difficulty. A defaulted account shows the consumer has been unable to repay his existing credit commitments and in cases such as this it's not responsible to provide further credit without more detailed consideration. I think this should have prompted Uncle Buck to ask for further information such as bank statements.

Mr C's bank statements show returned direct debits and standing orders for nominal amounts to collection companies. I can see that Mr C was in financial difficulties at the time of requesting the loans. Looking at the pattern of lending together with all of the other information this should have prompted Uncle Buck to ask for more information about Mr C's circumstances before lending him the money.

Although Mr C said he could afford the borrowing and signed to confirm this was the case I don't think that this is enough for me to say Uncle Buck acted responsibly. Mr C wanted and needed the loans because of the spiral of debt he was in. Uncle Buck should have suspected this was the case looking at Mr C's credit file and the pattern of borrowing. I agree with the conclusions of the adjudicator that granting loans in these circumstances without carrying out more robust checking was irresponsible.

Mr C has had the benefit of the money so I think it is only fair that he pays it back but I agree with the adjudicator that any interest or charges incurred should be refunded with interest. I think that this irresponsible lending has caused Mr C worry and upset and I agree with the adjudicator that Uncle Buck should pay £50 and remove any adverse information it has recorded on Mr C's file.

my final decision

My final decision is that I uphold this complaint. In full and final settlement of it Uncle Buck Payday Loans LLP should do the following:

1. Refund any interest and/or charges applied to the account together with interest at 8% simple per year.
2. Remove any adverse information recorded on Mr C's credit file.
3. Pay Mr C £50 for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 February 2016.

Emma Boothroyd
ombudsman